



GUIDELINE FOR CEO SUCCESSION PLANNING

Getting Ready to Find Your Next Mission Leader



Catholic Health
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Ontario

CEO Succession Planning



CHSO Responsibilities

To ensure Catholic identity endures, the Board of CHSO has some important responsibilities as the only Members (shareholders) of each CHSO member organization. These are known as "reserved powers":

- To approve the appointment the Board of Directors and CEO of each member organization
- To approve the by-laws of each member organization
- To approve any change to the member organization's mission or philosophy
- To approve any integration or merger
- To approve any major financial decision.

The CEO is the organization's most senior mission leader, and sets the tone for the entire organization. To assist member organizations in selecting the best CEO, CHSO's *Guideline For CEO Recruitment* provides a template process for when a new CEO is being hired, including sponsor expectations and the approval process.

It is also important that CHSO member organizations anticipate and think about CEO succession on a regular basis, not only when the position becomes vacant. Studies have shown that strong succession planning is not prevalent in the health care industry and health care organizations across Canada face significant challenges finding and retaining the best leaders. It is important to nurture and groom existing talent while, simultaneously, thinking about the needs of the organization into the future and the leadership the organization will require. Succession planning is increasingly referenced and is becoming an expectation of government bodies and organizations such as Accreditation Canada, the Institute of Corporate Directors, and profiled in the Ontario Hospital Association's *Guide to Good Governance* as an activity that should occur annually.

This guideline is meant to serve as a resource for CHSO member organizations, and to be used as a tool to support ongoing succession planning process. Given the importance of the CEO role to provide overall mission leadership, CHSO member organizations can expect that the topic of CEO succession planning will be a regular theme for discussion at Annual General Meetings.

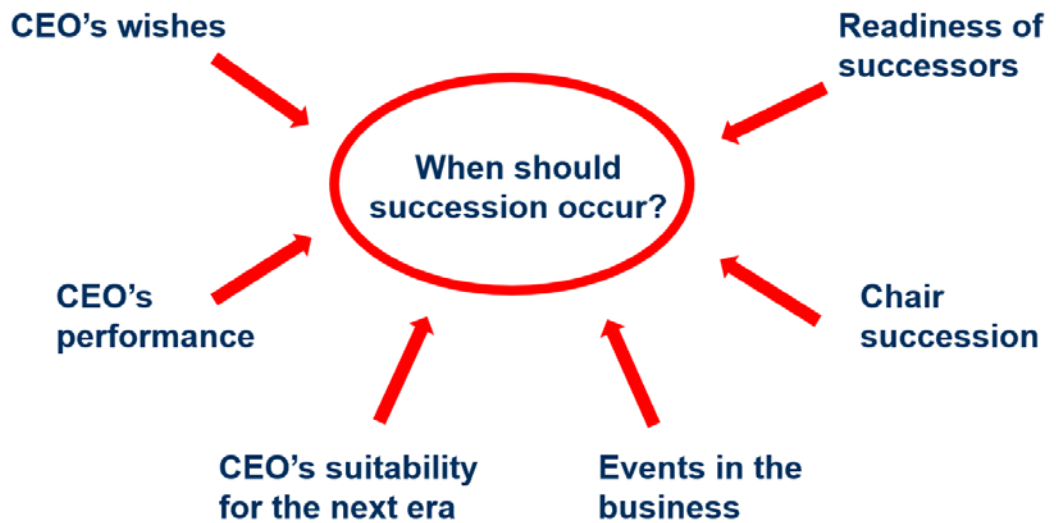
Getting Ready to Find Your Next Mission Leader

At the CHSO Forum in September 2015, Helen Handfield-Jones, co-author of the Harvard Business School publication, *The War For Talent* provided participants with best practices in CEO succession planning and pragmatic steps to ensure succession planning receives the attention it deserves. Succession planning becomes an on-going process as part of each CHSO member organization's Board workplan.

CHSO member organizations should have two succession plans: an emergency succession plan, and a longer-term succession plan. It is important to be ready to appoint an interim CEO, identified by the Board in advance, should an emergency arise. A longer-term succession plan should be developed once the Board identifies that a CEO transition is likely to occur within the next two years.

The Board of the CHSO member organization must own the CEO succession process while engaging the CEO and respecting the CEO's leadership space. The Board will drive the work plan to ensure it is a regular part of the Board's work. The diagram below illustrates the key considerations that should inform a Board's view:

WHEN SHOULD SUCCESSION OCCUR?



Questions for a Board to consider:

- How long does the current CEO intend to stay in the current position?
- Is the CEO achieving performance expectations as established each fiscal year?
- What events are shaping health care today, and our organization's position within a broader health care system?
- Does the current CEO have the desired skills, experience, and leadership approach for the next era? It is suggested that Boards refer to the *Health Leadership Capabilities Framework* (LEADS in a Caring Environment), a tool promoted by the Canadian College of Health Leaders.
- When will there be Board Chair succession? It may not be desirable to have a new Board Chair and CEO at the same time.
- Has the Board identified ready CEO successors?

An Ongoing Process, Not An Event

Board/CEO discussions on long-term succession planning should be a regular occurrence, even if the CEO transition is not expected immediately. **The full Board** should be involved in CEO succession planning. Open and ongoing dialogue should occur between the CEO and the Board about succession planning including a formal annual discussion that is detailed and unconstrained by time.

Every year, the organization's Board should ensure:

- Considering all the factors outlined above, determine when it is expected that succession will occur. This will require input from the current CEO, and is a discussion the Board often undertakes at the time of the annual performance review for the CEO.
- Clearly identify an emergency CEO replacement that will be recommended to CHSO for approval in the event of a sudden departure of the CEO.
- Review a wide list of internal candidates, with a goal of identifying individuals who have the long term potential to be the organization's CEO.
- Should the organization not be in a position to identify two or more internal candidates, the Board could consider if other CHSO member organizations may be in a position to provide support, especially if an emergency CEO replacement is required.
- The CEO will ensure that Board members are given ongoing opportunities to interact with internal candidates in various settings. The Board should get to know each candidate, and think about how candidates will be developed and retained.
- At a minimum, the Board will receive from the CEO a plan to develop candidates. A comprehensive assessment of strengths, opportunities for improvement, and interests will help formulate a suitable plan that is effective and results-oriented. Progress should be periodically reviewed through the performance review process.
- Internal candidates can be developed through a combination of: stretch assignments; job rotation; formal training; temporary or "acting" assignments; secondments to another organization; formal or informal mentoring.

- The Board will receive information from the CEO about the communication of succession planning results. This is a sensitive topic and should align with the organization's culture and practices. The benefits of communicating that a person is part of a succession plan can serve to motivate, sustain high performance, and help retain key talent, and assess their interest in further advancement.

Conclusion

CEO succession planning is an important element to be included as a component the Board's annual work plan. While a sensitive topic, regular discussion ensures the organization is thinking about and prepared to find its next mission leader at the appropriate time. Succession planning in itself does not assume a CEO change is imminent and in no way is disrespectful to the incumbent CEO.

The full Board must own the process and engage the CEO, ensuring open and transparent dialogue.

Acknowledgments

The following documents were used to help create this guideline:

- Helen Handfield-Jones presentation to CHSO Forum – September 30, 2015
- *Succession Planning Resource Guide* – Ontario Hospital Association

Resources

The following document is provided as an appendix:

- *Health Leadership Capability Framework (LEADS in a Caring Environment)* – Canadian College of Health Leaders